

### OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA Auditor of State

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NEWS RELEASE

FOR RELEASE December 9, 2013 Contact: Andy Nielsen 515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Newton, Iowa.

The City's receipts totaled \$20,988,028 for the year ended June 30, 2013, a 29.3% decrease from the prior year after adjusting for the exclusion of the Skiff Medical Center's receipts. The receipts included \$6,809,388 in property tax, \$2,560,585 from tax increment financing, \$6,933,574 from charges for service, \$2,567,323 from operating grants, contributions and restricted interest, \$457,822 from capital grants, contributions and restricted interest, \$1,158,029 from local option sales tax, \$283,489 from hotel/motel tax, \$114,591 from franchise fees, \$62,847 from unrestricted interest on investments and \$40,380 from other general receipts.

Disbursements for the year totaled \$20,665,660, a 1.6% increase from the prior year after adjusting for the exclusion of the Skiff Medical Center's disbursements, and included \$6,353,118 for public safety, \$2,707,209 for public works and \$2,421,712 for community and economic development. Also, disbursements for business type activities totaled \$3,760,471.

The significant decrease in receipts is due primarily to the \$9,408,837 of bond proceeds received in the prior fiscal year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <a href="http://auditor.iowa.gov/reports/1320-0469-B00F.pdf">http://auditor.iowa.gov/reports/1320-0469-B00F.pdf</a>.

#### **CITY OF NEWTON**

# INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS SUPPLEMENTARY AND OTHER INFORMATION SCHEDULE OF FINDINGS

**JUNE 30, 2013** 

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# INTRODUCTORY SECTION



November 26, 2013

To the Honorable Mayor, City Council, and Citizens of the City of Newton, Iowa:

I am pleased to submit the Annual Financial Report for the City of Newton, Iowa, for the fiscal year ended June 30, 2013, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the U.S. generally accepted accounting principles. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report is presented in four sections: Introductory, Financial, Compliance and Statistical. The Introductory section includes the table of contents, letter of transmittal, the City's organizational chart and a list of City officials. The Financial section includes the independent auditor's report, Management's Discussion and Analysis, the basic financial statements, other information and supplementary information. The Compliance Section includes the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The Statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council, which consists of a Mayor and six-member City Council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and six-year Community Investment Plan, appointing committees, and hiring the City Administrator, City Attorney and City Clerk. The City Administrator is responsible for overseeing the day-to-day operations of the City and for appointing and supervising the City's Department Directors. The City Council is elected on a non-partisan basis to four-year staggered terms with three City Council members elected every two years. The Mayor is elected for a two-year term. Four of the City Council members are elected within their respective wards, and the Mayor and the two remaining City Council members are elected at-large.

This Report includes all funds of the City of Newton except for the Enterprise, Skiff Medical Center Fund and excludes all discretely presented component units. The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of roads, streets and infrastructure; inspection and licensing functions; maintenance of grounds and buildings; municipal airport; library; cemetery and parks and recreation activities. In addition to general government activities, the City owns and operates enterprises for a regional landfill, water pollution control facility and golf course.

#### **ECONOMIC CONDITION AND OUTLOOK**

The City of Newton serves as the Jasper County seat and as a local employment center. It is a regional retail hub, with a full range of shopping and services. The official population now stands at 15,254.

In fiscal year 2013, the City's economy had the following highlights:

- Continued increases in hiring in the wind industry, helping to lower the unemployment rate in the county over the course of the fiscal year.
- Hosting by the Iowa Speedway of two NASCAR Nationwide series races, along with several other big races, helping to draw over 200,000 fans to the track.

Newton remains the stable home of many strong local employers like Vernon Company, Newton Manufacturing, Thombert Inc., Rock Communications, Skiff Medical Center, Walter G. Anderson and Cline Tool. While the weakness in the national economy impacted all Newton businesses, most were able to adapt and remain viable.

The overall outlook for Newton is positive. Though slowed by the national economic situation, Newton is still well positioned for economic growth. The community is located along major transportation routes near an expanding metropolitan area and is intentionally diversifying its economic base. Due to these factors, Newton will continue to recover from the recent recession and be poised for consistent future growth.

#### **CITY OPERATIONS**

The Mayor, City Council and City Staff conduct goal setting activities on a regular basis in order to provide the City with a firm sense of direction about its future as well as to evaluate current activities. The City implemented a two-year Strategic Action Plan in July of 2012. Staff and the City Council worked to achieve a very high percentage rate of completion of those goals and plan another goal setting session in 2014.

#### FINANCIAL INFORMATION

City administration is responsible for establishing and maintaining internal control designed to ensure the assets of the City are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with the cash basis of accounting, which is an other comprehensive basis of accounting. Internal control is designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

#### **Budgeting Controls**

The City maintains budgeting controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget. The level of budgeting control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the function level.

As demonstrated by the financial statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

#### Debt Administration

At June 30, 2013 the City of Newton had a number of debt issues outstanding. These issues include \$26,860,000 of general obligation bonds and notes and \$3,661,000 of sewer revenue capital loan notes. The City has maintained its rating from Moody's Investors Service on general obligation bond issues at AA3. Under current state statutes, the City's general obligation debt issues are subject to a legal limitation based on 5% of total actual value of real property. The City's net general obligation debt of \$28,350,179 was below the legal limit of approximately \$42 million. The City looks for, and calls in, bond issues that will generate annual principal and interest savings.

#### Cash Management

Cash temporarily idle during the year was invested in demand deposits and certificates of deposit. The Investment Policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

#### Risk Management

The City is fully insured for its general and auto liability as well as public official, police professional and ambulance professional liability. Workers' compensation coverage is provided through a statewide risk pool for local governments, the Iowa Municipalities Workers' Compensation Association (IMWCA). The City has also transitioned to being fully insured from a self-insurance plan for medical, dental and prescription drug expenses.

#### OTHER INFORMATION

#### <u>Independent Audit</u>

State statutes require an annual audit by independent certified public accountants. The Office of Auditor of State, State of Iowa has issued unmodified opinions on the City of Newton's governmental activities, major funds and aggregate remaining funds financial statements for the year ended June 30, 2013. Adverse opinions were issued on the Enterprise, Skiff Medical Center Fund, business type activities and aggregate discretely presented component units due to the omission of the Skiff Medical Center and discretely presented components units from the financial statements. The City could not present the Skiff Medical Center or the Newton Municipal Water Works because each use a financial reporting framework that differs from the City. The independent auditor's report is located at the front of the financial section of this report.

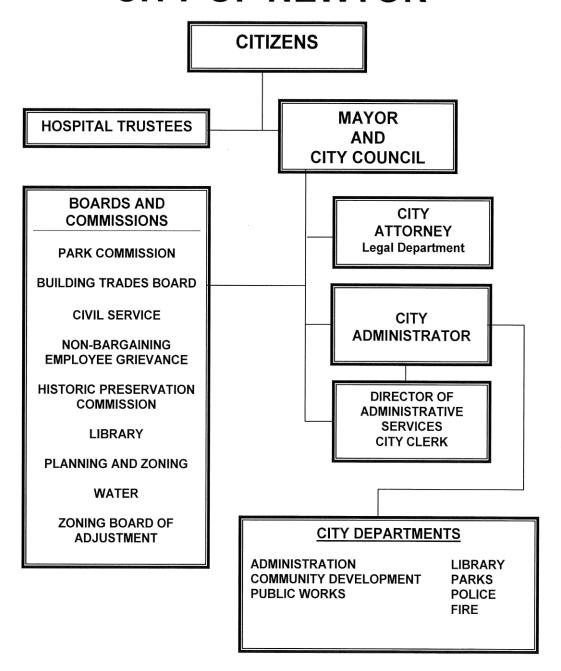
#### Acknowledgments

I am grateful for the support and interest of the Mayor and City Council, Department Directors and other management Staff for their conscientiousness in planning and conducting the financial operations of the City of Newton in a responsible and progressive manner. Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance and Development Department staff, the Administration Department staff and the efficient assistance of the City's independent auditors, the Office of Auditor of State, State of Iowa.

Respectfully submitted,

Robert L. Knabel City Administrator

# **CITY OF NEWTON**



# Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Charles Allen	Mayor	(Resigned Nov 2012)
Michael Hansen (Appointed Nov 2012)	Mayor	Nov 2013
Michael Hansen Evelyn George (Appointed Dec 2012) D.J. Julius Steve Mullan Noreen Otto Jeff Price Craig Trotter	Council Member	(Resigned Nov 2012) Nov 2013 Jan 2014 Jan 2014 Jan 2016 Jan 2016 Jan 2016
Robert Knabel	City Administrator	Indefinite
Candice Van Zee	Clerk	(Resigned Aug 2012)
Katrina Davis (Appointed Sept 2012)	Clerk	Indefinite
Darrin Hamilton	Attorney	Feb 2013
Matthew Brick (Appointed Feb 2013)	Attorney	Indefinite

# FINANCIAL SECTION



#### OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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#### Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Summary of Opinions

Type of Opinion Unit Opinion

Governmental Activities Unmodified

Business Type Activities Adverse

Aggregate Discretely Presented Component Units

Adverse

Major Governmental Funds:

General Unmodified

Special Revenue:

Road Use Tax Unmodified
Employee Benefits Unmodified
Urban Renewal Tax Increment Unmodified
Debt Service Unmodified

Major Enterprise Funds:

Skiff Medical Center Adverse
Sewer Unmodified
Landfill Unmodified

Aggregate Remaining Fund Information Unmodified

Basis for Adverse Opinion on the Enterprise, Skiff Medical Center Fund and on Business Type Activities

Management has not included the Enterprise, Skiff Medical Center Fund in the City's financial statements because the Skiff Medical Center reports in accordance with generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles require this fund to be presented as a major enterprise fund and financial information about the Enterprise, Skiff Medical Center Fund to be part of the business-type activities, thus increasing that activity's receipts and disbursements, and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the business type activities and the omitted major fund are \$35,701,003, \$37,023,148 and \$5,404,545, respectively.

#### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Enterprise, Skiff Medical Center Fund and on Business Type Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Enterprise, Skiff Medical Center Fund and the business type activities of the City of Newton as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

#### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Newton as of June 30, 2013, or the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

#### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits and Urban Renewal Tax Increment Funds, the Debt Service Fund, the major Enterprise Funds, including the Sewer and Landfill Funds, and the aggregate remaining fund information of the City of Newton as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance the basis of accounting described in Note 1.

#### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### Other Matters

#### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the omission of the Skiff Medical Center's capital leases from the Schedule of Indebtedness, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, including the Introductory Section, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of Funding Progress for the Retiree Health Plan and the Statistical Section, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by Government Auditing Standards

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 26, 2013 on our consideration of the City of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the City of Newton's internal control over financial reporting and compliance.

MARY MOSIMAN, CPA

WARREN G. ENKINS, CPA Chief Deputy Auditor of State

November 26, 2013

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 37.2%, or approximately \$9,559,000, from fiscal year 2012 to fiscal year 2013. Tax increment financing receipts decreased approximately \$348,000 while bond proceeds decreased \$9,409,000. These decreases were partially offset by an increase in charges for service of \$105,000 and an increase in property tax of \$150,000.
- Disbursements of the City's governmental activities decreased less than 1%, or approximately \$118,000, in fiscal year 2013 from fiscal year 2012. Debt service and capital projects disbursements decreased approximately \$221,000 and \$512,000, respectively, while public safety disbursements increased approximately \$635,000.
- The City's total cash basis net position increased 1.6%, or approximately \$322,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$486,000 and the cash basis net position of the business type activities increased approximately \$808,000.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

#### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

#### REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system, the landfill and the golf course. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide information for the Sewer and Landfill Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

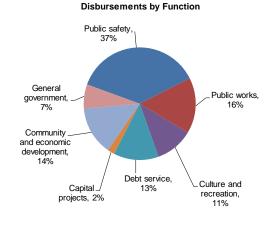
As described in Note 14 on page 37, the beginning business type activities net position was restated to exclude the financial activity of the Skiff Medical Center. To enhance comparability, all amounts presented for fiscal year 2012 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities decreased from a year ago, decreasing from approximately \$14.371 million to approximately \$13.885 million. The analysis which follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Government	nental Ad	ctivities	
(Expressed in Thousands)			
		Year ended Ju	ne 30,
		2013	2012
Receipts:			
Program receipts:			•
Charges for service	\$	2,196	2,091
Operating grants, contributions and restricted interest		2,533	2,432
Capital grants, contributions and restricted interest		458	471
General receipts:			
Property tax		6,809	6,659
Tax increment financing		2,561	2,909
Other city tax		1,441	1,544
Unrestricted interest on investments		24	28
Bond proceeds		-	9,409
Other general receipts		120	158
Total receipts		16,142	25,701
Disbursements:			
Public safety		6,353	5,718
Public works		2,707	2,559
Health and social services		-	153
Culture and recreation		1,876	1,917
Community and economic development		2,422	2,405
General government		1,112	1,103
Debt service		2,137	2,358
Capital projects		298	810
Total disbursements		16,905	17,023
Change in cash basis net position before transfers		(763)	8,678
Transfers, net		277	253
Change in cash basis net position		(486)	8,931
Cash basis net position beginning of year		14,371	5,440
Cash basis net position end of year	\$	13,885	14,371

#### Other city tax, Charges for service, 14% 9% Tax increment financing, 16%. Operating grants, contributions and restricted interest, 16% Other general receipts, 1% Capital grants, contributions Unrestricted\_ interest, 3% interest on investments, 0% Property tax,

Receipts by Source



The decrease in the City's cash basis net position for governmental activities was primarily a result of a decrease in debt service property tax and tax increment financing receipts.

The City's total receipts for governmental activities decreased 37.2%, or approximately \$9,559,000. The total cost of all programs and services decreased approximately \$118,000, or less than 1% from the prior year, with no programs added or deleted this year. The significant decrease in receipts was primarily the result of the issuance of refunding bonds during fiscal year 2012 and a decrease in tax increment financing collections. The decreases were partially offset by increases in charges for service and property tax received in the current fiscal year.

The cost of all governmental activities this year was approximately \$16.905 million compared to approximately \$17.023 million last year. The City's disbursements decreased significantly in the capital projects and debt service functions but increased in the public safety function due to increased benefit costs in the current year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 20-21, the amount taxpayers ultimately financed for these activities was approximately \$11.719 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,196,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,990,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$4,994,000 to approximately \$5,186,000, principally due to receiving slightly more in charges for service and operating grants, contributions and restricted interest.

Changes in Cash Basis Net Position of Business Ty (Expressed in Thousands)	pe Activities	
	Year ended	June 30,
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Sewer	2,580	2,076
Landfill	1,704	1,377
Golf	453	508
Operating grants, contributions and restricted interest	35	5
General receipts:		
Unrestricted interest on investments	38	35
Other general receipts	35	7
Total receipts	4,845	4,008
Disbursements:		
Sewer	2,177	1,708
Landfill	1,058	1,002
Golf	525	616
Total disbursements	3,760	3,326
Change in cash basis net position before transfers	1,085	682
Transfers, net	(277)	(253)
Change in cash basis net position	808	429
Cash basis net position beginning of year, as restated	6,034	5,605
Cash basis net position end of year	\$ 6,842	6,034

Total business type activities receipts for the fiscal year were approximately \$4.845 million compared to approximately \$4.008 million last year. This increase was due primarily to increased sewer and landfill receipts. Landfill receipts increased due to an increase in tipping fees and the landfill handling more tonnage over the past year. In addition, the City had more income from selling recycled rock. Sewer receipts increased due to increased rates. Total disbursements for the fiscal year increased 13.0% to approximately \$3.760 million.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Newton completed the year, its governmental funds reported a combined fund balance of \$13,885,117, a decrease of approximately \$486,000 from last year's total of \$14,371,353. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$161,407 from the prior year to \$3,268,118. Receipt and disbursement activity both decreased from the prior year. Receipts decreased \$663,750, or 8.5%, while disbursements decreased \$685,879, or 8.1%. The decrease is primarily due to the City establishing a separate Special Revenue Fund to account for local option sales tax. In the prior year, the majority of local option sales tax receipts and disbursements were included in the General Fund.
- The Special Revenue, Road Use Tax Fund cash balance increased \$71,582 to \$337,832. Receipts increased less than 1%, disbursements increased 11% and net transfers out decreased 18%.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$1,178 to \$148,377, a decrease of less than 1%.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$212,499 to \$359,771. The City collected less in tax increment financing receipts in the current year, but the decrease was offset by increased grant receipts for the Open Air Storage project. Disbursements for rebate payments to developers remained steady and the City continued to make transfers to the Debt Service Fund for payment of TIF related debt.
- The Debt Service Fund cash balance decreased \$141,998 to \$9,233,248. This decrease was due to levying and collecting less property tax receipts in the current year. The City continues to hold over \$9 million in escrow until the debt is refunded in 2014.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$296,657 to \$1,621,852, due primarily to an increase in sewer rates during fiscal year 2012 which led to higher customer receipts.
- The Enterprise, Landfill Fund cash balance increased \$575,835 to \$5,213,870 due to increased operating receipts of \$318,736 over the prior year due to a slight rate increase and the intake of more tonnage compared to the prior year. In addition, the City had higher receipts from the sale of recycled rock during fiscal year 2013. At the same time, disbursements only increased \$55,558 over the prior year, a 5.5% increase.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 6, 2013 and resulted in an increase in operating disbursements related to expenses associated with the 2012 refunding bonds, Maytag Bowl repairs and federal grant disbursements.

The City's receipts were \$1,196,274 less than budgeted. This was primarily due to Skiff Medical Center actual charges for service being less than budgeted.

Actual disbursements for the public works, community and economic development, general government and business type activities functions were \$329,314, \$160,099, \$202,833 and \$3,663,095, respectively, less than the amended budget. This was primarily due to the City delaying capital projects and equipment purchases.

The City exceeded the amount budgeted in the capital projects function prior to the budget amendment.

#### **DEBT ADMINISTRATION**

At June 30, 2013, the City had \$30,521,000 of bonds and other long-term debt outstanding, compared to \$31,988,000 last year, as shown below.

Outstanding Debt at Year-F	ınd		
(Expressed in Thousands	)		
		June 3	80,
		2013	2012
General obligation bonds	\$	26,860	28,090
Sewer revenue capital loan notes		3,661	3,898
Total	\$	30,521	31,988

Debt decreased as a result of the City making scheduled payments on the existing debt. During the year ended June 30, 2013, the City issued no new debt.

The City continues to carry a general obligation bond rating of AA3 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$28,350,179, which includes \$1,490,179 of development agreements, is significantly below its constitutional debt limit of approximately \$42 million. Additional information about the City's long-term debt is presented in Notes 3 and 12 to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Newton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Jasper County now stands at 5.8% versus 6.9% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.6%. All unemployment figures are as of June 30, 2013.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget, including balances on hand, are approximately \$88.5 million, an increase of less than 1% over the final fiscal year 2013 budget. Property tax, tax increment financing receipts, licenses and permits and intergovernmental receipts are each expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to rise approximately \$9 million, primarily due to the refunding of bonds from funds held in escrow. The City has added no major new programs or initiatives to the fiscal year 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$13 million by the close of fiscal year 2014.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Frasier, Financial Assistant, 101 W. 4th Street S., Newton, Iowa 50208.



#### Cash Basis Statement of Activities and Net Position

#### As of and for the year ended June 30, 2013

			Program Receipts	
			Operating Grants,	Capital Grants,
			Contributions	Contributions
		Charges for	and Restricted	and Restricted
	Disburseme	nts Service	Interest	Interest
Functions/Programs:		· ·		
Governmental activities:				
Public safety	\$ 6,353,1	1,139,565	590,282	8,499
Public works	2,707,2	817,92	1,563,477	-
Culture and recreation	1,875,7	48 212,234	157,053	-
Community and economic development	2,421,7	12 2,350	123,674	355,828
General government	1,112,0	59 24,085	50,179	-
Debt service	2,137,4	56	47,945	-
Capital projects	297,8	387		93,495
Total governmental activities	16,905,1	.89 2,196,155	2,532,610	457,822
Business type activities:				
Sewer	2,177,1	2,580,355	12,666	-
Landfill	1,058,0	1,703,893	13,814	-
Golf	525,2	92 453,171	8,233	-
Total business type activities	3,760,4	4,737,419	34,713	
Total	\$ 20,665,6	6,933,574	2,567,323	457,822

#### General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Franchise fees

Unrestricted interest/dividends on investments

Sale of capital assets

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year, as restated

Cash basis net position end of year

#### **Cash Basis Net Position**

Restricted:

Nonexpendable:

Cemetery perpetual care

Permanent endowments

Expendable:

Streets

Urban renewal purposes

Debt service

Library capital improvements

Closure and postclosure care

Other purposes

Unrestricted

#### Total cash basis net position

See notes to financial statements.

Net (Disbursements)	Receipts and
Changes in Cash Bas	is Net Position

C	Governmental	Business Type	
	Activities	Activities	Total
	(4,614,772)	_	(4,614,772)
	(325,811)	-	(325,811)
	(1,506,461)	-	(1,506,461)
	(1,939,860)	-	(1,939,860)
	(1,037,795)	-	(1,037,795)
	(2,089,511)	-	(2,089,511)
	(204,392)	-	(204,392)
	(11,718,602)	-	(11,718,602)
		415 070	A15 070
	-	415,878 659,671	415,878 659,671
	-	(63,888)	(63,888)
		1,011,661	1,011,661
	(11,718,602)	1,011,661	(10,706,941)
	(,:,,	_,,	(==,:==,===,==,=
	6 004 074		6 004 074
	6,224,974	-	6,224,974 584,414
	584,414 2,560,585	-	2,560,585
	1,158,029	-	1,158,029
	283,489		283,489
	114,591		114,591
	24,451	38,396	62,847
	5,080	35,300	40,380
	276,753	(276,753)	-
	11,232,366	(203,057)	11,029,309
	(486,236)	808,604	322,368
	14,371,353	6,033,789	20,405,142
\$	13,885,117	6,842,393	20,727,510
\$	250,072	_	250,072
~	233,320	-	233,320
	337,832	-	337,832
	359,771	-	359,771
	9,233,248	29,486	9,262,734
	68,899	-	68,899
	-	835,395	835,395
	273,858	-	273,858
	3,128,117	5,977,512	9,105,629
\$	13,885,117	6,842,393	20,727,510

# Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2013

			Special Revenue		
			Road	Special Revent	Urban
			Use	Employee	Renewal
		General	Tax	Benefits	Tax Increment
Receipts:					
Property tax	\$	3,845,538	_	2,228,337	_
Tax increment financing	¥	-	_	-	2,560,585
Other city tax		379,089	_	55,499	
Licenses and permits		307,552	_	_	_
Use of money and property		82,659	=	1,490	5,976
Intergovernmental		299,801	1,460,813	=	355,828
Charges for service		1,845,139	-	-	-
Special assessments		-	-	-	-
Miscellaneous		344,505	-	141,546	86,656
Total receipts		7,104,283	1,460,813	2,426,872	3,009,045
Disbursements:					
Operating:					
Public safety		3,741,752	=	2,019,802	-
Public works		1,437,395	1,104,104	145,710	-
Culture and recreation		1,163,907	-	349,982	-
Community and economic development		462,809	-	69,250	1,742,482
General government		962,281	-	139,778	-
Debt service		=	=	=	-
Capital projects		=	=	=	=
Total disbursements		7,768,144	1,104,104	2,724,522	1,742,482
Excess (deficiency) of receipts over (under)					_
disbursements		(663,861)	356,709	(297,650)	1,266,563
Other financing sources (uses):					
Sale of capital assets		5,080	_	_	_
Operating transfers in		670,169	17,615	296,472	_
Operating transfers out		(172,795)	(302,742)		(1,479,062)
Total other financing sources (uses)		502,454	(285,127)	296,472	(1,479,062)
Net change in cash balances		(161,407)	71,582	(1,178)	(212,499)
Cash balances beginning of year		3,429,525	266,250	149,555	572,270
Cash balances end of year	\$	3,268,118	337,832	148,377	359,771
Cash Basis Fund Balances					
Nonspendable:					
Cemetery perpetual care	\$	=	=	=	=
Park endowment		-	-	-	-
Restricted for:					
Streets		-	337,832	-	-
Urban renewal purposes		-	-	-	359,771
Debt service		-	-	-	-
Library capital improvements		68,899	=	=	-
Other purposes		71,102	=	148,377	-
Assigned for:					
Citizen's Police Academy		310	-	-	-
Police department		70,436	-	-	-
Capital equipment		37,232	-	-	-
Demolition reserve		51,114	-	-	-
Fireworks display		2,646	-	-	-
Unassigned		2,966,379	-	-	-
Total cash basis fund balances	\$	3,268,118	337,832	148,377	359,771
See notes to financial statements.					

De bt		
Service	Nonmajor	Total
572,577	_	6,646,452
-	_	2,560,585
11,837	1,158,029	1,604,454
-	-	307,552
25,931	305	116,361
20,501	323,637	2,440,079
_	-	1,845,139
22,014	_	22,014
22,011	21,777	594,484
632,359	1,503,748	16,137,120
032,339	1,303,746	10,137,120
-	591,564	6,353,118
-	20,000	2,707,209
-	361,859	1,875,748
-	147,171	2,421,712
=	10,000	1,112,059
2,137,456	=	2,137,456
-	297,887	297,887
2,137,456	1,428,481	16,905,189
(1,505,097)	75,267	(768,069)
(1,505,097)	13,201	(700,009)
=	=	5,080
1,363,099	157,136	2,504,491
=	(273,139)	(2,227,738)
1,363,099	(116,003)	281,833
(141,998)	(40,736)	(486,236)
9,375,246	578,507	14,371,353
9,233,248	537,771	13,885,117
	050.070	050.070
=	250,072	250,072
=	233,320	233,320
		227 222
-	-	337,832
- 0.000.045	-	359,771
9,233,248	-	9,233,248
-	-	68,899
-	54,379	273,858
-	-	310
-	-	70,436
-	-	37,232
-	-	51,114
-	-	2,646
	-	2,966,379
9,233,248	537,771	13,885,117
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# Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Funds

As of and for the year ended June 30, 2013

			Nonmajor	
	Sewer	Landfill	Golf	Total
Operating receipts:				
Charges for service	\$ 2,546,212	1,516,748	305,269	4,368,229
Miscellaneous	46,809	155,940	156,135	358,884
Total operating receipts	2,593,021	1,672,688	461,404	4,727,113
Operating disbursements:				
Business type activities	1,552,542	792,022	525,292	2,869,856
Excess (deficiency) of operating receipts				
over (under) operating disbursements	1,040,479	880,666	(63,888)	1,857,257
Non-operating receipts (disbursements):				
Interest on investments	9,357	29,039	-	38,396
Rent	-	45,019	-	45,019
Sale of capital assets	35,000	300	-	35,300
Debt service	(353,940)	-	-	(353,940)
Capital projects	(270,661)	(266,014)	=	(536,675)
Net non-operating receipts				
(disbursements)	(580,244)	(191,656)	-	(771,900)
Excess (deficiency) of receipts				
over (under) disbursements	460,235	689,010	(63,888)	1,085,357
Transfers:				_
Transfers in	5,211	480	-	5,691
Transfers out	(168,789)	(113,655)	-	(282,444)
Net transfers	(163,578)	(113,175)	-	(276,753)
Change in cash balances	296,657	575,835	(63,888)	808,604
Cash balances beginning of year, as restated	1,325,195	4,638,035	70,559	6,033,789
Cash balances end of year	\$ 1,621,852	5,213,870	6,671	6,842,393
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 29,486	-	-	29,486
Closure and postclosure care	-	835,395	-	835,395
Unrestricted	1,592,366	4,378,475	6,671	5,977,512
Total cash basis fund balances	\$ 1,621,852	5,213,870	6,671	6,842,393
		·		<del></del>

See notes to financial statements.

#### Notes to Financial Statements

June 30, 2013

#### (1) Summary of Significant Accounting Policies

The City of Newton is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. In addition to general government activities, the municipality owns and operates enterprises for sewer services, a regional landfill and a golf course.

#### A. Reporting Entity

For financial reporting purposes, the City of Newton has included all funds, organizations, agencies, boards, commissions and authorities except for the Enterprise, Skiff Medical Center Fund. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

#### **Excluded Component Units**

These financial statements present the City of Newton (the primary government). The financial statements do not include financial data for the Newton Municipal Waterworks, Newton Public Library Foundation and Friends of the Newton Public Library, legally separate entities which should be reported as discretely presented component units.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mid-Iowa Narcotics Enforcement, Jasper County Joint E911 Service Board, Jasper County Assessor's Conference Board and Jasper County Emergency Management Commission.

#### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefit property tax levy for the payment of employment benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the operation and maintenance of the Newton Sanitary Landfill.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

<u>Nonspendable</u> – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

<u>Restricted</u> – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

<u>Assigned</u> – Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

# E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function prior to the budget amendment.

# (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had investments in U.S. Government Treasury Notes with a carrying amount and fair value of \$9,182,541. Of this amount, \$58,739 matures in December 2013 and \$9,123,802 matures in June 2014.

<u>Interest rate risk</u> – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

# (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and revenue notes are as follows:

Year	General Ob	ligation					
Ending	Bonds and	Notes	Revenue	Revenue Notes		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 2,120,000	875,620	244,000	109,830	2,364,000	985,450	
2015	2,515,000	809,323	251,000	102,510	2,766,000	911,833	
2016	2,465,000	744,948	260,000	94,980	2,725,000	839,928	
2017	2,340,000	677,427	268,000	87,180	2,608,000	764,607	
2018	2,380,000	609,462	275,000	79,140	2,655,000	688,602	
2019-2023	10,450,000	1,996,216	1,516,000	266,310	11,966,000	2,262,526	
2024-2028	4,590,000	268,252	786,000	71,190	5,376,000	339,442	
2029-2030	 -	-	61,000	2,760	61,000	2,760	
Total	\$ 26,860,000	5,981,248	3,661,000	813,900	30,521,000	6,795,148	

## General Obligation Refunding Bonds

On June 27, 2012, the City issued \$9,385,000 of general obligation refunding bonds for the crossover advance refunding of \$9,065,000 of capital loan notes dated May 16, 2006. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the interest on the general obligation refunding bonds as due until the cross over date of June 1, 2014, at which time the refunded general obligation capital loan notes of \$9,065,000 become callable. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

# Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,261,000 of sewer revenue notes issued in April 2002, \$2,561,000 issued in April 2007 and \$469,000 issued in January 2010. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023, 2027 and 2030, respectively. Annual principal and interest payments on the notes required approximately 34% of net receipts during the year. The total principal and interest remaining to be paid on the notes is \$4,474,900. For the current year, principal and interest paid and total customer net receipts were \$353,940 and \$1,040,479, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

(a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise, Sewer Fund for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

## (4) County Agreement

During the year ended June 30, 2009, the City entered into an agreement with Jasper County to pay one-half of the interest payment on the County's 2007 general obligation urban renewal bonds during fiscal year 2010 through fiscal year 2013. The payments totaled \$132,171 for the year ended June 30, 2013.

# (5) Pension and Retirement Systems

IPERS - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$305,062, \$279,883 and \$236,584, respectively, equal to the required contributions for each year.

MFPRSI - The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 26.12% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2013, 2012 and 2011 were \$714,069, \$669,988 and \$505,959, respectively, which met the required contribution for each year.

# (6) Other Postemployment Benefits (OPEB)

<u>Plan Description</u> - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 98 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

The City also provides single health plan coverage for a disabled police officer.

<u>Funding Policy</u> - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis.

<u>Annual OPEB Cost and Net OPEB Obligation</u> – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 140,702
Interest on net OPEB obligation	8,001
Adjustment to annual required contribution	 (18,346)
Annual OPEB cost	130,357
Contributions made	(21,629)
Increase in net OPEB obligation	108,728
Net OPEB obligation beginning of year, as restated	 320,029
Net OPEB obligation end of year	\$ 428,757

For the year ended June 30, 2013, the City received a separate actuarial valuation. Previously, the City and the Newton Municipal Waterworks valuation was combined and the portion attributed to the City was estimated. As a result, the net OPEB obligation at the beginning of the year was restated from \$279,353 to \$320,029.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the City contributed \$21,629 to the medical plan. Plan members eligible for benefits contributed \$92,215, or 81.0% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year			Percentage of		Net
Ended		Annual	Annual OPEB		OPEB
June 30,	C	OPEB Cost	Cost Contributed	C	bligation
2011	\$	114,877	20.59%	\$	182,009
2012		124,019	21.51		320,029
2013		130,357	16.59		428,757

<u>Funded Status and Funding Progress</u> – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,315,445, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,315,445. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,775,000, and the ratio of the UAAL to covered payroll was 22.78%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as other information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from the 94 Group Annuity Mortality Table.

Projected claim costs of the medical plan range from \$359 to \$536 for single plans and \$1,103 to \$1,644 for family plans. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensatory time and vacation payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Type of Bellent	- I miodite
Vacation	\$805,000
Compensatory time	33,000
Total	\$838,000

This liability has been computed based on rates of pay in effect at June 30, 2013.

#### (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 302,742
	Urban Renewal Tax Increment	96,463
	Enterprise:	
	Sewer	167,589
	Landfill	 103,375
		 670,169
Special Revenue:		
Road Use Tax	General	6,135
	Enterprise:	
	Sewer	1,200
	Landfill	 10,280
		 17,615
Employee Benefits	General	3,833
	Special Revenue:	
	Urban Renewal Tax Increment	19,500
	Local Option Sales Tax	273,139
		296,472
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	 1,363,099
Capital Projects	General	 157,136
Enterprise:		
Sewer	General	5,211
Landfill		480
		 5,691
Total		\$ 2,510,182

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### (9) Closure and Postclosure Care and Financial Assurance

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to affect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the City have been estimated to be \$3,199,200 for closure and \$1,671,000 for postclosure care, for a total of \$4,870,000 as of June 30, 2013. The estimated remaining life of the landfill is 157 years, with approximately 30% of the landfill's capacity used at June 30, 2013.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs and, at June 30, 2013, assets of \$835,395 are restricted for these purposes. They are reported as restricted cash basis fund balance in the Enterprise, Landfill Fund in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the local government financial test financial assurance mechanism. Under this mechanism, the City must certify to the Iowa Department of Natural Resources the City has met the requirements outlined in Chapter 567-113.14(6)(f) of the IAC.

The City has met the financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test.

#### (10) Solid Waste Tonnage Fees Retained

The City has established an account for restricting and using solid waste tonnage fees retained by the City in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2013, the City had no unspent tonnage fees.

# (11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of

any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$167,219.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 and for the Newton Municipal Airport for aviation ground operations liability insurance in the amount of \$5,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# (12) Development Agreements

The City has entered into various development agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer and make economic development grant payments in exchange for the construction of buildings and certain improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total amount rebated during the year ended June 30, 2013 was \$1,742,482. The estimated outstanding balance of the agreements at June 30, 2013 is \$2,901,626.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for the amounts which require an annual appropriation by the City Council. The amount of the development agreements subject to the constitutional debt limit at June 30, 2013 is \$1,490,179.

#### (13) Construction Commitments

The City has entered into construction contracts totaling approximately \$2,603,000 for street, sidewalk, trail, airport, sanitary sewer, landfill and sewer improvements. As of June 30, 2013, approximately \$1,091,000 had been paid on the contracts. The remaining \$1,512,000 will be paid as work on the projects progresses.

## (14) Restatement

The July 1, 2012 cash basis net position of the business type activities and the cash balance of the Enterprise Fund have been restated to exclude the Skiff Medical Center because the Center reports in accordance with generally accepted accounting principles, a financial reporting framework which differs from the cash basis of accounting used by the City.

	Business Type		
	I	Activities/	
	Enterprise Fund		
Balances June 30, 2012, as previously reported	\$	12,577,875	
Exclusion of Skiff Medical Center		(6,544,086)	
Balances July 1, 2012, as restated	\$	6,033,789	

In addition, the discretely presented component units have been excluded because the Newton Municipal Waterworks, the most significant component unit, reports in accordance with generally accepted accounting principles, a financial reporting framework which differs from the cash basis of accounting used by the City.

**Other Information** 

# Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

# Other Information

# Year ended June 30, 2013

			(Una	udited)
		Proprietary Funds	·	Component Unit
	Governmental Funds Actual	Actual (Excluding Skiff Medical Center)	Skiff Medical Center Actual	Newton Municipal Waterworks Actual
Descinta	netuai	Centery	netuai	Actual
Receipts:	\$ 6.646.452			
Property tax  Tax increment financing	\$ 6,646,452 2,560,585	-	-	<del>-</del>
9	2,560,585 1,604,454	-	-	<del>-</del>
Other city tax Licenses and permits	307,552	-	-	-
<u> -</u>		92.415	- 002 110	777
Use of money and property	116,361	83,415	223,118	777
Intergovernmental	2,440,079	4 260 000	- 25 242 041	- 0 444 402
Charges for service	1,845,139	4,368,229	35,343,941	2,444,403
Special assessments	22,014	-	100.044	107.570
Miscellaneous	594,484	358,884	133,944	107,573
Total receipts	16,137,120	4,810,528	35,701,003	2,552,753
Disbursements:				
Public safety	6,353,118	-	_	-
Public works	2,707,209	-	-	-
Health and social services	_	-	_	-
Culture and recreation	1,875,748	-	_	-
Community and economic development	2,421,712	_	_	-
General government	1,112,059	-	-	-
Debt service	2,137,456	-	_	=
Capital projects	297,887	-	_	=
Business type activities	-	3,760,471	37,023,148	2,592,492
Total disbursements	16,905,189	3,760,471	37,023,148	2,592,492
Transa (deficiency) of manints				· · · ·
Excess (deficiency) of receipts over (under) disbursements	(768,069)	1,050,057	(1,322,145)	(39,739)
Other financing sources, net	281,833	(241,453)	182,604	=
Excess (deficiency) of receipts and other financing sources over (under)				
disbursements and other financing uses	(486,236)	808,604	(1,139,541)	(39,739)
Balances beginning of year, as restated	14,371,353	6,033,789	6,544,086	533,067
Balances end of year	\$ 13,885,117	6,842,393	5,404,545	493,328

	Budgeted A	mounts	Final to
Total -	Original	Final	Total
Iotai	Original	rillai	Variance
6,646,452	6,670,813	6,670,813	(24,361)
2,560,585	2,678,812	2,678,812	(118,227)
1,604,454	1,691,961	1,691,961	(87,507)
307,552	163,900	163,900	143,652
423,671	265,315	265,315	158,356
2,440,079	1,601,162	1,947,662	492,417
44,001,712	45,992,597	46,268,685	(2,266,973)
22,014	200	200	21,814
1,194,885	710,330	710,330	484,555
59,201,404	59,775,090	60,397,678	(1,196,274)
6,353,118	5,967,079	6,397,079	43,961
2,707,209	3,036,523	3,036,523	329,314
=	391,869	=	-
1,875,748	1,980,941	1,980,941	105,193
2,421,712	2,428,811	2,581,811	160,099
1,112,059	1,084,892	1,314,892	202,833
2,137,456	1,991,739	2,161,739	24,283
297,887	1,000	341,000	43,113
43,376,111	45,591,628	47,039,206	3,663,095
60,281,300	62,474,482	64,853,191	4,571,891
(1,079,896)	(2,699,392)	(4,455,513)	3,375,617
222,984	2,522,400	2,522,400	(2,299,416)
(856,912)	(176,992)	(1,933,113)	1,076,201
27,482,295	15,655,852	27,482,295	
26,625,383	15,478,860	25,549,182	1,076,201

# Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The City's budget includes the Skiff Medical Center, a city department, and the Newton Municipal Waterworks, a component unit, neither of which are included in the City's financial statements because each use a financial reporting framework which differs from the framework used by the City. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,378,709. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment.

# Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

# Other Information

			Actuarial				UAAL as a
		Actuarial	Accrued	Unfunded			Percentage
Year	Actuarial	Value of	Liability	AAL	Funded	Covered	of Covered
Ended	Valuation	Assets	(AAL)	(UAAL)	Ratio	Payroll	Payroll
June 30,	Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,240	1,240	0.00%	\$ 5,517	22.48%
2011	Jul 1, 2009	-	1,259	1,259	0.00	5,593	22.51
2012	Jul 1, 2009	-	1,275	1,275	0.00	5,625	22.66
2013	Jul 1, 2012	-	1,315	1,315	0.00	5,775	22.78

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



# Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Specia	al Revenue	
		Local Option	
	COPS	Sales	Capital
	Grant	Tax	Projects
Receipts:			
Other city tax	\$ -	1,158,029	-
Use of money and property	-	=	305
Intergovernmental	245,704	-	77,933
Miscellaneous	-	-	15,257
Total receipts	245,704	1,158,029	93,495
Disbursements:			
Public safety	245,704	345,860	-
Public works	-	20,000	-
Culture and recreation	-	361,859	-
Community and economic development	-	147,171	-
General government	-	10,000	-
Capital projects		-	297,887
Total disbursements	245,704	884,890	297,887
Excess (deficiency) of receipts			
over (under) disbursements		273,139	(204,392)
Other financing sources (uses):			
Operating transfers in	-	-	157,136
Operating transfers out	-	(273, 139)	-
Total other financing sources (uses)		(273,139)	157,136
Change in cash balances	-	-	(47,256)
Cash balances beginning of year		-	101,635
Cash balances end of year	\$ -	<del>-</del>	54,379
Cash Basis Fund Balances			
Nonspendable:	<u>.</u>		
Cemetery perpetual care	\$ -	-	-
Park endowment	-	-	-
Restricted for other purposes		-	54,379
Total cash basis fund balances	\$ -	-	54,379

Perr	nanent	
Cemetery	Fred Maytag	-
Perpetual	Park	
Care	Endowment	Total
		_
-	-	1,158,029
-	-	305
=	-	323,637
6,520	-	21,777
6,520	-	1,503,748
-	-	591,564
=	-	20,000
-	-	361,859
-	-	147,171
-	-	10,000
	-	297,887
	-	1,428,481
6,520	-	75,267
-	-	157,136
-	-	(273,139)
		- (116,003)
6,520	-	(40,736)
243,552	233,320	578,507
250,072	233,320	537,771
a=a ===		a=a ===
250,072	-	250,072
-	233,320	233,320
	-	54,379
250,072	233,320	537,771

# Schedule of Indebtedness

# Year ended June 30, 2013

			Amount
	Date of	Interest	Originally
Obligation	Issue	Rates	Issued
General obligation bonds and notes:			
Capital loan notes, series 2006B	May 16, 2006	4.25 - 5.00%	\$ 9,700,000
Capital loan notes, series 2007A	Jun 20, 2007	5.50 - 5.75	740,000
Urban renewal and refunding bonds, series 2009A	Aug 25, 2009	2.00 - 3.125	1,115,000
Urban renewal and refunding bonds, series 2009B	Aug 25, 2009	1.25 - 5.15	6,300,000
Refunding bonds, series 2010A	Dec 30, 2010	0.75 - 2.60	3,095,000
Refunding bonds, series 2010B	Dec 30, 2010	0.50 - 1.45	515,000
Corporate refunding bonds, series 2012	Jun 27, 2012	1.00 - 2.25	9,385,000
Total			
Revenue notes:			
Sewer revenue capital loan notes, series 2002	Apr 3, 2002	3.00%	\$ 2,261,000
Sewer revenue capital loan notes, series 2007	Apr 5, 2007	3.00	2,561,000
Sewer revenue capital loan notes, series 2009	Jan 13, 2010	3.00	469,000

Total

Balance	Issued	Redeemed	Balance	
Beginning	During	During	End of	Interest
of Year	Year	Year	Year	Paid
9,700,000	-	-	9,700,000	450,119
570,000	-	65,000	505,000	31,865
775,000	-	105,000	670,000	21,475
4,915,000	-	525,000	4,390,000	213,134
2,440,000	-	430,000	2,010,000	38,595
305,000	-	105,000	200,000	3,545
9,385,000	-	-	9,385,000	131,967
\$ 28,090,000	-	1,230,000	26,860,000	890,700
1,406,000	-	110,000	1,296,000	42,180
2,058,000	-	109,000	1,949,000	61,740
434,000	-	18,000	416,000	13,020
\$ 3,898,000	_	237,000	3,661,000	116,940

# Bond and Note Maturities

June 30, 2013

										Gene	ral O	bligation	
	Seri	ies :	2006B	Seri	Series 2007A		Seri	Series 2009A			Series 2009B		
Year	Issued	May	16, 2006	Issued	Jun	20, 2007	Issued A	lug	25, 2009	Issued A	ug 25	5, 2009	
Ending	Interest			Interest			Interest			Interest			
June 30,	Rates		Amount	Rates		Amount	Rates		Amount	Rates		Amount	
2014	4.250%	\$	635,000	5.75%	\$	70,000	2.500%	\$	100,000	3.400%	\$	785,000	
2015	4.500		660,000	5.50		75,000	2.750		150,000	3.700		285,000	
2016	4.500		685,000	5.50		75,000	3.000		150,000	4.100		295,000	
2017	4.500		715,000	5.50		85,000	3.000		150,000	4.300		305,000	
2018	4.500		750,000	5.55		90,000	3.125		120,000	4.700		320,000	
2019	4.500		780,000	5.60		95,000			_	4.875		295,000	
2020	4.625		815,000	5.75		15,000			_	5.000		310,000	
2021	4.750		850,000			-			_	5.000		325,000	
2022	4.750		890,000			-			_	5.050		340,000	
2023	4.750		930,000			_			_	5.050		360,000	
2024	4.750		975,000			_			_	5.100		375,000	
2025	5.000		1,015,000			_				5.150		395,000	
Total		\$	9,700,000		\$	505,000		\$	670,000		\$	4,390,000	

	Sewer Revenue Notes										
	Sea	ries	2002	Sei	Series 2007			Series 2009			
Year	Issued	l Apr	3, 2002	Issued	l Ar	or 5, 2007	Issued	Jan	13, 2010		
Ending	Interest		_	Interest		_	Interest				
June 30,	Rates		Amount	Rates		Amount	Rates		Amount	Total	
2014	3.00%	\$	113,000	3.00%	\$	112,000	3.00%	\$	19,000	244,000	
2015	3.00		116,000	3.00		116,000	3.00		19,000	251,000	
2016	3.00		120,000	3.00		120,000	3.00		20,000	260,000	
2017	3.00		124,000	3.00		123,000	3.00		21,000	268,000	
2018	3.00		127,000	3.00		127,000	3.00		21,000	275,000	
2019	3.00		131,000	3.00		132,000	3.00		22,000	285,000	
2020	3.00		135,000	3.00		136,000	3.00		23,000	294,000	
2021	3.00		139,000	3.00		140,000	3.00		23,000	302,000	
2022	3.00		143,000	3.00		145,000	3.00		24,000	312,000	
2023	3.00		148,000	3.00		150,000	3.00		25,000	323,000	
2024				3.00		154,000	3.00		26,000	180,000	
2025			-	3.00		159,000	3.00		27,000	186,000	
2026				3.00		165,000	3.00		28,000	193,000	
2027			_	3.00		170,000	3.00		28,000	198,000	
2028			_			_	3.00		29,000	29,000	
2029			-			_	3.00		30,000	30,000	
2030			_			_	3.00		31,000	31,000	
Total		\$	1,296,000		\$	1,949,000		\$	416,000	3,661,000	

Bonds ar	nd No	otes							
Seri	Series 2010A		Series 2010B		Series 2012		2012		
Issued	ed Dec 30, 2010		Issued	Dec 3	0, 2010	Issued	Jun	27, 2012	
Interest			Interest			Interest			
Rates		Amount	Rates		Amount	Rates		Amount	Total
1.15%	\$	430,000	1.15%	\$	100,000	-	\$	-	2,120,000
1.45		440,000	1.45		100,000	1.00 %		805,000	2,515,000
1.75		450,000			-	1.00		810,000	2,465,000
2.00		265,000			_	1.00		820,000	2,340,000
2.30		275,000			_	1.00		825,000	2,380,000
2.60		150,000			_	1.20		835,000	2,155,000
		_			_	1.45		845,000	1,985,000
		_			_	1.65		860,000	2,035,000
		_			_	1.80		870,000	2,100,000
		_			_	2.00		885,000	2,175,000
		_			-	2.10		905,000	2,255,000
		-			-	2.25		925,000	2,335,000
	\$	2,010,000		\$	200,000		\$	9,385,000	26,860,000

# Schedule of Receipts By Source and Disbursements By Function - All Governmental Funds

# For the Last Ten Years

		2013	2012	2011
Receipts:				
Property tax	\$	6,646,452	6,495,477	6,293,597
Tax increment financing	:	2,560,585	2,909,173	1,347,281
Other city tax		1,604,454	1,707,571	1,703,058
Licenses and permits		307,552	275,515	155,019
Use of money and property		116,361	93,264	109,517
Intergovernmental	:	2,440,079	2,367,894	4,103,067
Charges for service		1,845,139	1,797,054	2,112,552
Special assessments		22,014	18,308	23,864
Miscellaneous		594,484	596,567	1,177,272
Total	\$ 1	6,137,120	16,260,823	17,025,227
Disbursements:				
Operating:				
Public safety	\$	6,353,118	5,717,661	5,410,336
Public works	:	2,707,209	2,558,601	2,409,348
Health and social services		-	153,374	12,083
Culture and recreation		1,875,748	1,917,021	1,960,709
Community and economic development	:	2,421,712	2,405,218	737,015
General government		1,112,059	1,102,944	1,553,181
Debt service	:	2,137,456	2,357,739	5,914,670
Capital projects		297,887	810,310	3,620,110
Total	\$ 1	6,905,189	17,022,868	21,617,452

2010	2009	2008	2007	2006	2005	2004
5,951,760	5,493,609	5,984,330	7,230,696	5,994,989	5,654,908	5,758,479
2,242,523	1,891,542	2,036,141	1,860,065	1,691,755	1,508,311	872,463
1,657,637	1,655,392	1,675,923	285,958	328,427	314,247	322,489
157,553	159,900	190,304	205,956	225,130	161,605	171,658
112,136	177,015	280,094	346,163	244,662	192,121	210,000
2,817,356	4,504,063	4,908,820	6,171,243	1,799,776	2,203,808	2,458,778
2,240,062	2,223,544	2,036,389	1,957,417	1,942,775	1,905,605	1,707,917
22,407	24,383	45,262	77,206	15,647	7,123	20,695
879,158	609,260	1,040,044	497,221	960,438	440,812	588,492
16,080,592	16,738,708	18,197,307	18,631,925	13,203,599	12,388,540	12,110,971
5,093,366	5,284,662	5,134,641	5,168,187	5,024,945	4,977,075	4,805,464
2,415,994	2,523,491	2,544,558	2,186,286	2,109,548	2,282,945	2,159,562
267,944	12,032	12,464	12,898	14,721	40,177	287,589
1,689,233	1,774,050	1,723,088	1,544,680	1,456,883	1,525,350	1,271,987
4,462,506	3,931,121	3,451,583	8,344,843	7,677,471	1,435,070	999,778
1,135,415	1,190,467	1,268,716	1,136,829	1,114,948	985,365	1,018,977
2,190,835	2,161,937	2,711,173	3,025,150	3,569,991	2,164,850	2,449,921
3,864,984	786,856	430,141	546,850	1,092,201	2,915,109	975,263
21,120,277	17,664,616	17,276,364	21,965,723	22,060,708	16,325,941	13,968,541

# **COMPLIANCE SECTION**

# OR OF STATE OF TO THE ACTION OF STATE OF TO THE ACTION OF THE ACTION OF

# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA Auditor of State

# State Capitol Building Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2013. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed unmodified opinions on the governmental activities, the General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits and Urban Renewal Tax Increment Funds, the Debt Service Fund, the major Enterprise Funds, including the Sewer and Landfill Funds, and the aggregate remaining fund information of the City of Newton, Iowa, as of June 30, 2013. We expressed adverse opinions on the business type activities, the Enterprise, Skiff Medical Center Fund and the aggregate discretely presented component units.

# Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Newton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

# **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

# City of Newton's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Newton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

MARY MOSIMAN, CPA

Aud**to**r of State

WARREN G. ENKINS, CPA Chief Deputy Auditor of State

November 26, 2013

## Schedule of Findings

# Year ended June 30, 2013

#### INTERNAL CONTROL DEFICIENCIES:

- (A) <u>Segregation of Duties</u> One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although multiple individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:
  - 1) Cash reconciling bank accounts or petty cash, initiating cash receipts, depositing and handling and recording cash.
  - 2) Investments detailed record keeping, custody and reconciling.
  - 3) Long term debt recording and reconciling.
  - 4) Receipts collecting, depositing, posting, reconciling and maintaining accounts receivable records.
  - 5) Payroll recording, preparing and signing of payroll warrants.
  - 6) Accounting system performing all general accounting functions, including making journal entries and having custody of City assets.

In addition, unused checks and the signature stamp for checks are accessible to all administrative personnel.

<u>Recommendation</u> – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Access to blank checks and the signature stamp for checks should be properly safeguarded.

<u>Response</u> – The City will review its control procedures to obtain the maximum internal control possible under the circumstances utilizing available staff. Changes have been made to the storage of blank checks and the signature stamps, as they are now locked in separate locations.

Conclusion - Response accepted.

(B) <u>Utility Billings and Reconciliations</u> – The City has an agreement with the Newton Municipal Waterworks for billing and collection services for the City's sewer, solid waste and recycling functions. The City does not have procedures in place to identify the amounts which should be collected for sewer, solid waste and recycling charges each billing period and to reconcile expected collections to actual collections. This should be done through obtaining billing reports and delinquent account listings from the Waterworks each billing period and reconciling collections, billings and delinquent accounts for the billing period.

## Schedule of Findings

# Year ended June 30, 2013

<u>Recommendation</u> – The City should establish procedures to ensure the proper amount of sewer, garbage, and recycling charges are collected, including reconciling billings, collections and delinquent accounts for each billing period.

<u>Response</u> – The City will establish procedures to reconcile the proper amount of sewer, garbage, and recycling are collected from the Newton Municipal Waterworks. This includes keeping proper documentation of these reconciliations.

Conclusion - Response accepted.

(C) Other Reconciliations – The City performs billing and collection services for ambulance service and for the City's landfill. Monthly reconciliations to reconcile expected collections to actual collections are not performed for the landfill and are incomplete for the ambulance service. Reconciliations should be performed through analyzing billing reports and delinquent account listings each billing period and reconciling collections, billings and delinquent accounts. In addition, outstanding balances are not periodically reviewed for collectability and approved for write-off, if necessary. An independent individual does not review the ambulance service reconciliation.

<u>Recommendation</u> – The City should establish procedures to ensure the proper amount of ambulance and landfill fees are collected, including reconciling billings, collections and delinquent accounts. Delinquent accounts should be investigated and those deemed to be uncollectible should be properly approved for write-off through established procedures. An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations. Any variances should be investigated and resolved in a timely manner.

Response – The City will establish procedures to ensure the proper amount of ambulance and landfill fees are collected, including reconciling billings, collections and delinquent accounts. Delinquent accounts will be investigated and uncollectable accounts will be written off per approved procedures. Documented independent review of reconciliations will take place each billing period.

Conclusion - Response accepted.

(D) <u>Computer System</u> – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

Response – The City is in the process of developing a written disaster recovery plan.

Conclusion - Response accepted.

(E) <u>Receipts</u> – An independent person does not open mail. An initial listing of cash and checks received is not prepared by all departments.

For the Fire Department, an initial listing of receipts is prepared. However, an independent individual does not reconcile amounts recorded on the initial listing to amounts recorded in the ledger and deposited in the bank.

## Schedule of Findings

Year ended June 30, 2013

For the Library, supporting documentation of receipts is insufficient to provide an audit trail of the individuals making payments. Although a report is run to support daily collections, there is no identification of customers making the payments.

<u>Recommendation</u> – Mail should be opened by an independent individual and a listing of all cash and receipts received in the mail should be prepared by the mail opener. The receipts should then be given to accounting personnel responsible for deposit preparation. The initial listing should later be compared to the receipt and deposit records by an independent person. Receipt documentation should be maintained in sufficient detail to provide a complete audit trail.

<u>Response</u> – The City Finance office will work with all City departments to develop procedures in their cash receipting to be in compliance with the above recommendation.

<u>Conclusion</u> – Response accepted.

#### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

## Schedule of Findings

Year ended June 30, 2013

# Findings Related to Required Statutory Reporting:

(1) <u>Certified Budget</u> – During the year ended June 30, 2013, the City exceeded the amount budgeted in the capital projects function prior to a budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

<u>Recommendation</u> – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

<u>Response</u> – The City will amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. More detailed regular monitoring is taking place to ensure this occurs.

Conclusion - Response accepted.

(2) <u>Questionable Disbursements</u> – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Purpose					
Jimmy John's	Meals for C	Meals for Goal setting meeting					86
P.J.'s Deli	Sandwich	tray	with	chips	for		
	meeting						35

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

<u>Recommendation</u> – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

<u>Response</u> – The City will review, and where appropriate, adopt policies and procedures related to the requirements of public purpose.

Conclusion - Response accepted.

(3) <u>Travel Expense</u> – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

## Schedule of Findings

# Year ended June 30, 2013

(4) <u>Business Transactions</u> – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and	Transaction	
<b>Business Connection</b>	Description	Amount
Janet Cox, Police Administrative Assistant, Owner of Coxes		
Greenhouse	Planting supplies	\$ 179

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Police Administrative Assistant do not appear to represent a conflict of interest since the transactions totaled less than \$1,500 during the fiscal year.

- (5) <u>Bond Coverage</u> Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) <u>City Council Minutes</u> Disbursements made by electronic fund transfer are not presented to the City Council for approval or published as part of the list of claims as required by the Code of Iowa.
  - <u>Recommendation</u> The City should comply with the requirements of the Code of Iowa. All disbursements should be presented to the City Council for approval and publication.
  - <u>Response</u> The City will begin presenting all disbursements made by electronic fund transfers to the City Council for approval and publication.
  - Conclusion Response accepted.
- (7) <u>Deposits and Investments</u> No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) <u>Revenue Notes</u> No instances of non-compliance with the revenue note resolutions were noted.
- (9) <u>Solid Waste Fees Retainage</u> No instances of non-compliance with the solid waste fees used in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (10) <u>Financial Assurance</u> The City has met the closure and postclosure financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test as specified in Iowa Administrative Code Chapter 567-113.14(6)(f).
- (11) <u>Urban Renewal Annual Report</u> The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. The amount reported by the City as TIF debt outstanding was understated by \$580,839 since the City did not include the portion of annual appropriation debt not yet appropriated by the Council.

#### City of Newton

#### Schedule of Findings

#### Year ended June 30, 2013

<u>Recommendation</u> – The City should ensure the amount reported as outstanding TIF debt includes all debt certified and certifiable.

<u>Response</u> – The City will ensure the amount reported as outstanding TIF debt includes all debt certified and certifiable.

Conclusion - Response accepted.

(12) <u>Uniform Chart of Accounts</u> – The City's accounting system does not use the Uniform Chart of Accounts for City governments in Iowa.

<u>Recommendation</u> – The City should establish an accounting system which uses the Uniform Chart of Accounts to properly identify transactions of the City for reporting and budgeting purposes.

<u>Response</u> – The City is in the process of implementing new financial software. The City will convert to the Uniform Chart of Accounts for City governments during this process.

Conclusion - Response accepted.

#### City of Newton

Staff

#### This audit was performed by:

Donna F. Kruger, CPA, CGFM, Manager Lesley R. Geary, CPA, Senior Auditor II Justin M. Scherrman, Senior Auditor Stephen J. Hoffman, Staff Auditor Tiffany N. Aliprandi, Assistant Auditor Ryan J. Magill, Assistant Auditor

> Andrew E. Nielsen, CPA Deputy Auditor of State

### STATISTICAL SECTION

# CITY OF NEWTON TAX INCREMENT FINANCING FUND – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS INCEPTION TO JUNE 30, 2013

Operating Receipts:	
Bond proceeds	\$ 31,560,946
Interest on investments	175,164
Sale of property	1,195,701
Property tax	26,109,117
Intergovernmental	10,907,696
Miscellaneous	1,189,422
	 71,138,046
Operating Disbursements:	
Property acquisition and improvement	9,694,844
Property demolition	966,390
Economic development grants	18,462,147
Legal and administrative	1,474,644
Property taxes	97,338
Relocation	47,050
Conctractual services	5,000
Operating supplies	15,139
Structures	62,756
Refunds	4,271,831
Revenue bond principal	5,074,852
Revenue bond interest	896,194
Street improvements	1,242,670
City Hall site improvements	550,127
Private development improvements	462,406
Skiff Medical Center	280,000
Manufactured Gas Plant	3,253
Lighting and landscaping	431,730
Storage yard	578,063
Payment to other agencies	 610,369
	 45,226,803
Operating receipts over operating disbursements	25,911,243
Other transactions:	
Transfer to Debt Service Fund - bond interest	(22,180,397)
Transfer to General Fund - economic development	(3,735,880)
Transfer to Central Business District	(2,500)
Transfer to Employee Benefits Fund	(138,547)
Transfer to Capital Projects Fund	(823,232)
Transfer to Sewer Fund	(547,555)
Interfund Loan	 1,876,639
Cash and investment balance at June 30, 2013	\$ 359,771

Note: During the fiscal year 1988, the City established a tax increment financing district to generate revenues to assist the City in funding responsibility for an urban renewal plan. Under the urban renewal plan, the City purchases properites located within the district to be demolished for development. The City issued bonds to initially fund this plan, which will be retired from fund revenues through transfers to the Debt Service Fund.

#### COMPARISON OF ENTERPRISE FUNDS CHARGES FOR

#### SERVICE RECEIPTS

June 30,	Sewer		Landfill		Golf		Ρ	arking
2004	\$	1,996,295	\$ 1,207,756	\$	361,043	-	\$	78,717
2005		2,158,385	1,094,907		382,123			87,684
2006		2,201,492	1,004,324		347,108			78,449
2007		2,173,973	1,050,974		327,866			75,824
2008		2,144,742	1,257,373		396,034			67,195
2009		1,955,306	1,310,509		485,479			-
2010		1,792,379	1,443,700		482,920			_
2011		1,777,277	1,333,719		407,474			_
2012		2,074,418	1,314,130		353,937			_
2013		2,546,212	1,516,748		305,269			_

City of Newton

#### COMPARATIVE TOTAL AND PER CAPITA FUNCTION DISBURSEMENTS

Year						Health	and			Commun	ity and
Ended	Population	Public S	afety	Public W	orks/	Social S	evices	Culture & Re	ecreation	Economic De	velopment
June 30,	Per Census	Disburser	ments	Disburse	ments	Disburse	ments	Disburse	ments	Disbursements	
			Per		Per		Per		Per		Per
		<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Capita
2004	15,579*	\$ 4,758,804	\$ 305.46	\$ 2,147,898	\$ 137.87	\$ 280,590	\$ 18.01	\$ 1,260,323	\$ 80.90	\$ 988,114	\$ 63.43
2005	15,579*	5,023,931	322.48	2,293,480	147.22	40,177	2.58	1,536,731	98.64	1,438,161	92.31
2006	15,579*	5,164,297	331.49	2,140,871	137.42	14,721	0.94	1,490,716	95.69	7,686,675	493.40
2007	15,579*	5,189,928	333.14	2,191,174	140.65	12,898	0.83	1,549,961	99.49	8,346,277	535.74
2008	15,579*	5,258,043	337.51	2,571,150	165.04	12,464	0.80	1,753,157	112.53	3,465,451	222.44
2009	15,579*	5,464,580	350.77	2,556,561	164.10	12,032	0.77	1,809,924	116.18	618,532	39.70
2010	15,579*	5,127,611	329.14	2,422,659	155.51	267,944	17.20	1,696,648	108.91	4,465,669	286.65
2011	15,254**	5,414,879	354.98	2,410,052	157.99	12,083	0.79	1,961,802	128.61	737,224	48.33
2012	15,254**	5,717,661	374.83	2,558,601	167.73	153,374	10.05	1,917,021	125.67	2,405,218	157.68
2013	15,254**	6,353,118	416.49	2,707,209	177.48	_	_	1,875,748	122.97	2,421,712	158.76

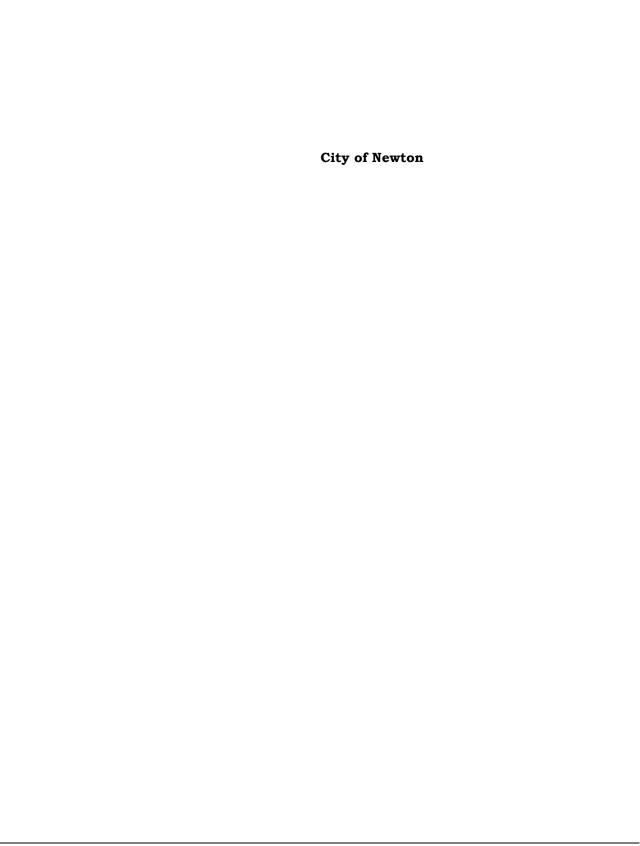
<sup>\* 2000</sup> census figures \*\* 2010 census figures

General Gov	ernment	Debt Sei	rvice	Capital Pr	ojects	Business Type Activities				
Disburse	ments	Disburse	ments	Disburse	ments	Disburse	Disbursements		Total Disbursements	
	Per		Per		Per		Per			
<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Capita	<u>Total</u>	Per Capita	
\$ 1,014,311	\$ 65.11	\$ 2,449,921	\$ 157.26	\$ 975,263	\$ 62.61	\$ 3,577,958	\$ 229.67	\$ 17,453,182	\$ 1,120.30	
1,007,296	64.66	2,164,850	138.96	2,915,109	187.12	4,158,222	266.91	20,577,957	1,320.88	
1,180,160	75.75	3,569,991	229.15	1,092,201	70.11	3,178,050	204.00	25,517,682	1,637.95	
1,147,004	73.63	3,025,150	194.18	546,850	35.10	4,549,073	292.00	26,558,315	1,704.75	
1,331,350	85.46	2,711,173	174.03	430,141	27.61	5,469,044	351.05	23,001,973	1,476.47	
1,257,096	80.69	2,161,937	138.77	4,118,643	264.37	3,273,083	210.10	21,272,388	1,365.45	
1,149,508	73.79	2,190,835	140.63	3,864,984	248.09	3,639,947	233.64	24,825,805	1,593.54	
1,555,017	101.94	5,914,670	387.75	3,620,110	237.32	6,542,942	428.93	61,359,169	4,022.50	
1,102,944	72.31	2,357,739	154.57	810,310	53.12	3,326,528	218.08	20,349,396	1,334.04	
1,112,059	72.90	2,137,456	140.12	297,887	19.53	3,760,471	246.52	20,665,660	1,354.77	

#### COMPARATIVE PROPERTY TAX RECEIPTS BY FUND TYPE

			Special	
Year			Revenue,	De bt
Ended			Employee	Service
June 30,	_	General Fund	Benefits Fund	Fund
2004	*	\$ 3,419,134	\$ 2,200,265	\$ 1,019,238
2005	*	3,210,594	1,737,090	924,383
2006	*	3,640,718	1,753,991	944,354
2007	*	4,433,214	1,820,874	1,339,772
2008	*	4,507,293	2,113,039	1,085,183
2009	*	4,242,797	2,007,008	923,579
2010	*	4,545,913	2,152,614	933,277
2011	*	4,915,611	2,189,531	915,377
2012		3,669,772	2,037,155	788,550
2013		3,845,538	2,228,337	572,577

<sup>\*</sup>For fiscal years 2011 and prior, amounts include special assessments, local option sales tax, hotel/motel tax receipts and utility excise replacement tax in addition to property tax.



#### COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS

Year	Collection		Current
Ended	Year Ended	Total Property	Property Tax
June 30,	June 30,	Tax Levy	Collections
2003	2004	\$ 5,888,462	\$ 6,175,595
2004	2005	5,917,919	5,654,909
2005	2006	5,987,798	5,994,989
2006	2007	6,186,189	7,230,696
2007	2008	5,982,574	5,984,330
2008	2009	5,557,926	5,489,841
2009	2010	5,941,263	5,947,898
2010	2011	6,258,941	6,293,014
2011	2012	6,536,879	6,493,334
2012	2013	6,670,813	6,645,487

Percent Of	Delinquent		Tax	Increment			
Property Tax	Prop	erty Tax	F	inancing	Total Property		
Levy Collected	Col	lections	C	ollections	Tax Collections		
104.88%	\$	3,509	\$	934,565	7,113,669		
95.56%		7,491		1,508,311	7,170,711		
100.12%		1,060		1,691,755	7,687,804		
116.88%		1,387		1,860,065	9,092,148		
100.03%		1,756		2,036,141	8,022,227		
98.77%		3,768		1,891,542	7,385,151		
100.11%		3,862		2,242,523	8,194,283		
100.54%		583		1,347,281	7,640,878		
99.33%		2,143		2,909,173	9,404,650		
99.62%		965		2,560,585	9,207,037		

#### CITY OF NEWTON COMPARATIVE PROPERTY TAX RATES PER \$1,000 OF ASSESSED VALUATIONS

						Levy for
	Collection					_
Levy	Year Ended	Nε	ewton School			
Year	June 30,		District	City of Newton	Jasper County	Area Schools
2003	2004	\$	16.40942	\$ 15.38000	\$ 5.89480	\$ 0.58184
2004	2005		17.19063	15.94998	8.06036	0.59856
2005	2006		16.78900	15.95000	9.16450	0.68408
2006	2007		16.91412	16.63000	9.24852	0.68688
2007	2008		16.48184	15.79100	9.17034	0.60276
2008	2009		16.73813	15.65673	9.29114	0.84695
2009	2010		16.56630	15.65613	8.99696	0.56778
2010	2011		16.72645	15.34596	8.38776	0.56008
2011	2012		16.23768	15.30305	8.62582	0.59018
2012	2013		15.96319	14.99630	7.66830	0.58466

				Percent of City of
Extension	County	Tuberculosis		Newton Levy
Council	Assessor	Eradication	Total	to Total Levy
\$ 0.14192	\$ 0.31173	\$ 0.00400	\$ 38.72371	36.40%
0.14490	0.30222	0.00400	42.25065	37.02%
0.14902	0.34677	0.00400	43.08737	36.22%
0.16251	0.38972	0.00400	44.03575	39.05%
0.15230	0.38173	0.00350	42.58347	36.62%
0.17218	0.40747	0.00350	43.11610	36.31%
0.17240	0.40625	0.00300	42.36882	36.95%
0.17318	0.42448	0.00340	41.62131	36.87%
0.16758	0.41948	0.00320	41.34699	37.01%
0.16027	0.39701	0.00330	39.77303	37.70%

### CITY OF NEWTON COMPARATIVE RATIO OF GENERAL OBLIGATION BONDED DEBT TO TAXABLE VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA

					Ratio of				
						General	C	General	
						Obligation	Ob	oligation	
		Taxable Value				Bonded	I	Bonde d	
	Population	(Agriculture	Ger	neral Obligation		Debt to		Debt	
Date	Per Census	Land Included)	В	onded Debt (1)	T	axable Value	Pe	r Capita	
6/30/2004	15,579*	\$ 427,155,346	\$	13,032,467		0.030510	\$	836.54	
6/30/2005	15,579*	420,783,396		13,125,190		0.031192		842.49	
6/30/2006	15,579*	426,286,988		24,816,270		0.058215	1	,592.93	
6/30/2007	15,579*	422,991,842		23,786,864		0.056235	1	,526.85	
6/30/2008	15,579*	436,831,194		22,209,852		0.050843	1	,425.63	
6/30/2009	15,579*	401,742,086		21,089,852		0.052496	1	,353.74	
6/30/2010	15,579*	415,904,928		21,490,000		0.051670	1	,379.42	
6/30/2011	15,254**	454,143,296		20,175,000		0.044424	1	,322.60	
6/30/2012	15,254**	510,841,569		28,090,000	(2)	0.054988	1	,841.48	
6/30/2013	15,254**	536,167,609		26,860,000	(2)	0.050096	1	,760.85	

<sup>\* 2000</sup> census figures

- (1) Includes capital loan notes and bonds payable.
- (2) Includes capital loan notes of \$9,065,000 for which the cross-over refunding call date is June 1, 2014.

<sup>\*\* 2010</sup> census figures

#### CITY OF NEWTON SCHEDULE OF INSURANCE COVERAGE JUNE 30, 2013

Fire and extended property coverage - all risk - \$1,000 deductible:		
APD Vehicle	\$	4,099,299
Book collection		3,219,523
Buildings		30,151,022
Personal property		2,767,277
Miscellaneous property		3,416,365
Fire and extended property coverage - all risk - \$500 deductible:		
EDP Hardware		78,800
Comprehensive automobile coverage:		2 200 200
Bodily injury		2,000,000
Property damage		2,000,000
Uninsured motorist/underinsured motorist Comprehensive		1,000,000 200 de ductible
Collision	1	,000 deductible
Conston	1	,000 academble
Comprehensive general liability		5,000,000
Umbrella excess liability coverage (includes auto bodily injury and property		T 000 000
damage)		5,000,000
Ambulance and EMT professional liability		2,000,000
Airmont lighility		5,000,000
Airport liability		5,000,000
City clerk legal liability bond (errors and omissions)		2,000,000
Public officials liability		2,000,000
Worker's compensation		Statutory limit

#### CITY OF NEWTON SEWER FUND DATA JUNE 30, 2013

Sewer customers served at June 30, 2013

6,290

Sewer rates in effect at June 30, 2013

Minimum charge of \$10.27 per month plus \$3.30/100 cubic feet over the first 200 cubic feet used.

A surcharge factor is levied for the following customers whose waste waters exceed normal domestic waste water:

Customer Type	Surcharge Factor
Laundry, including industrial laundries, commercial laundries, and laundromatic	1.2
Car washes	1.3
Restaurants - including quick service and sit-down types	1.6
Bakeries	1.4
Nursing homes	1.6
Correctional Facilities	1.4

## CITY OF NEWTON MISCELLANEOUS STATISTICAL DATA JUNE 30, 2013

Ten Largest Employers in Jasper County

Name (1)	Business Activity	
TPI	Wind turbine blades	
Skiff Medical Center	Hospital	
Newton Community School District	Education	
Hy-Vee Corporation	Food Retailer	
Wal-Mart, Inc.	Retail	
Caleris	Telecommunications call center	
Rock Communications	Commercial printing	
Jasper County	Government	
The Vernon Company	Specialty Advertising	
Trinity Structural Towers	Wind turbine towers	

Ten Largest Taxpayers by Assessed Valuation (does not include Utilities)

Name (2)	Business Activity	
US Motorsport Corporation	Iowa Speedway	
Wesley Retirement Services	Retirement housing	
Sir Properties Trust	Wind blade manufacturing plant	
AG/IRG WPP Newton LLC	Former Maytag manufacturing plant	
Wal-Mart, Inc.	Retail	
Hy-Vee Corporation	Food Retailer	
Newton Enterprises LLC	Plastics/property management	
Love's Travel Stop	Convenience store/ gas station	
Newton Lodge and Suites, LLC	Hotel	
Dondim, LLC	Automobile sales and service	

- (1) Source Newton Development Corporation, Greater Newton Area Chamber of Commerce
- (2) Source Jasper County Geograpic Information System